

External assessment 2023

Multiple choice question book

Economics

General instruction

- Work in this book will not be marked.

Section 1

- Respond to these questions in the question and response book.
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QUESTION 1

At different stages of the business cycle, automatic stabilisers always act to

- (A) change aggregate demand.
- (B) increase aggregate demand.
- (C) decrease aggregate demand.
- (D) maintain aggregate demand.

QUESTION 2

If the Australian Government decided to reintroduce an inheritance tax, this policy would (*ceteris paribus*)

- (A) increase the budget deficit.
- (B) raise Australia's foreign debt.
- (C) improve the distribution of income and wealth.
- (D) encourage people to save for their retirement income.

QUESTION 3

A movement in the cash rate from 3% to 4.5% is equal to

- (A) 0.15 percentage points.
- (B) 150 basis points.
- (C) 150 per cent.
- (D) 15 per cent.

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QUESTION 4

Inflation targeting

- (A) guarantees that inflation remains within a band of 2% to 3%.
- (B) assists with managing an economy's inflation expectations.
- (C) encourages the banking sector to pass on rate changes.
- (D) is most effective with cost-push inflation issues.

QUESTION 5

Assume the government significantly increases excise taxes on fuels to encourage more electric vehicles.

How will this initiative affect the Australian economy?

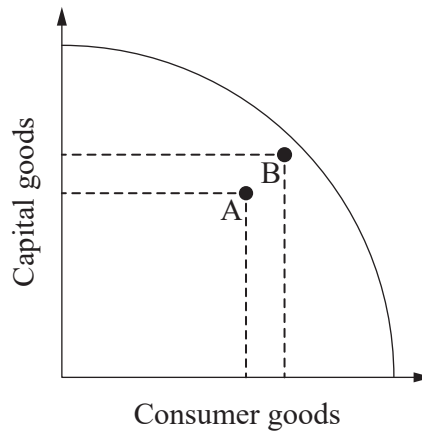
- (A) increase domestic-based inflation
- (B) increase the supply of electric cars
- (C) raise employment in the Australian car industry
- (D) raise transportation costs of fruit and vegetables

QUESTION 6

To improve housing affordability, a government plans to release more land for houses and introduce a first home owners' grant. The likely impact is that house prices

- (A) should increase.
- (B) should decrease.
- (C) cannot be predicted.
- (D) would remain unchanged.

QUESTION 7



The movement of an economy from point A to point B could be attributed to

- (A) moving manufacturing and research and development projects overseas.
- (B) increasing productivity in export-focused industries and technology change.
- (C) reducing investment in manufacturing and reducing cyclical unemployment.
- (D) an overseas supply chain issue changing production of consumer and capital goods.

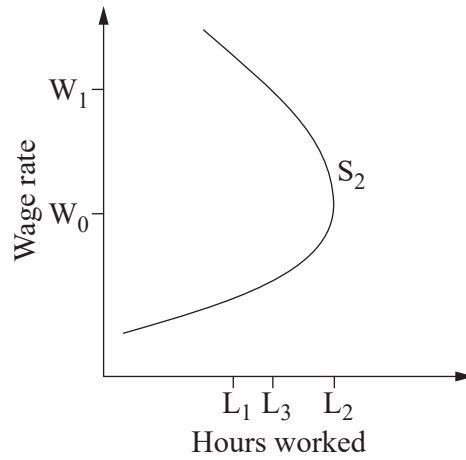
QUESTION 8

If the Reserve Bank of Australia increases interest rates relative to our trading partners, it will cause (*ceteris paribus*)

- (A) a depreciating effect on the exchange rate.
- (B) a reduction in the federal budget deficit.
- (C) an inflow of foreign financial capital.
- (D) a decrease in export prices.

QUESTION 9

A government is interpreting a model of a labour supply curve in a highly developed economy.



Assuming the average wage moves from W_0 to W_1 , employees' marginal propensity to consume leisure will

- (A) increase.
- (B) decrease.
- (C) remain constant.
- (D) decrease at an increasing rate.

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QUESTION 10

The data shows an economic scenario over a three-year period.

	Year 1	Year 2	Year 3
Nominal GDP (\$ billion)	700	730	745
Budget surplus (\$ billion)	100	115	140

Which economic policies would improve this situation?

- (A) raising the age pension and increasing income taxes
- (B) selling government assets and reducing retirement age
- (C) increasing retirement age and decreasing health expenditure
- (D) increasing job seeker payments and decreasing income taxes

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